

GOVERNANCE COMMITTEE MANDATE

VIA Rail Canada Inc.

1. PURPOSE

The Board of Directors (the “Board”) has delegated to the Governance Committee (the “Committee”) the responsibility for oversight and monitoring of certain governance matters of VIA Rail Canada Inc. (the “Corporation”)

2. RESPONSIBILITIES AND DUTIES

2.1 Governance policies and practices

The Committee shall:

- a) review policies and best practices related to corporate governance matters, considering the Corporation’s status as a Federal Crown Corporation pursuant to the provisions of the *Financial Administration Act*.
- b) examine the adequacy and effectiveness of the Board’ practices in light of changing requirements and recommend improvements to the Board; and
- c) review and update the Corporation’s By-laws periodically.

2.2 Board and their Committees

The Committee shall:

- d) review materials and programs for the orientation and development of directors of the Board;
- e) review procedures for satisfactory communications among the members of the Board and between management and the directors;
- f) ensure that the Board and their committees have timely access to all documentation relevant to the accomplishment of their functions;
- g) review annually the mandates of the Board and its Committees, and in collaboration with the other Committee Chairs, recommend appropriate modifications to the Board;
- h) review annually in collaboration with the other Committee Chairs the structure of each Committee, including members and Chairpersons and make recommendations, as appropriate, to the Board;

- i) determine on an annual basis if a self assessment of the Board, each Committee and individual directors is required and if such is the case, the process for doing so including whether a third party consultant should be retained to assist in this assessment. This self assessment should be conducted within a maximum of three (3) years from the previous assessment.
- j) upon a vacancy occurring, participate in identifying and evaluating profiles of potential candidates to assume the position of director based on a skills matrix;
- k) develop, update and maintain a directors' skills matrix;
- l) consider and recommend to the Board training to be followed by directors in conformance to the directors' skills matrix;
- m) review quarterly directors' compensation including directors' fees and expenses, to ensure compliance with the government's directors' and Chair compensation guidelines;
- n) establish and recommend to the Board the annual calendar for the Board and Committee meetings;
- o) review and recommend to the Board the approval of the annual budget for board activities and directors' expenses and trainings in accordance with its policy;
- p) review, update and ensure ongoing compliance of Directors' Code of Conduct and Ethics and guidelines pursuant to the *Conflict of Interest Act* and the *Federal Accountability Act*; and
- q) review the Corporation's liability insurance coverage for its directors and officers.

2.3 Enterprise Risk Management

The Committee shall:

- r) review and recommend to the Board the approval of the Enterprise Risk Management Framework as well as the Enterprise Risk Management Policy for the Corporation's key risks on an annual basis;
- s) review and recommend to the Board the approval of the Corporation's key risks and management's approach to addressing the potential impacts of these risks on the execution of the Corporation's strategic and business objectives;
- t) ensure that controls and procedures are in place to identify, manage and mitigate the key risks to which the Corporation is exposed and validate management's ownership and accountability for these risks, and;

- u) review, identify, evaluate and assess the treatment of risks related to its Committee's responsibilities and forming part of the Corporation's Enterprise Risk Management (ERM) framework and provide its input to the Board thereon

2.4 Legal and Regulatory

The Committee shall review and assess:

- a) the Corporation's compliance with tax and financial reporting laws and regulations, legal withholding requirements, and other matters for which directors face liability exposure;
- b) any remedial plans and programs in place to eliminate the risks of non-compliances;
- a) the compliance with regulation and corporate policies on travel, hospitality and other expenses incurred by the members of the Board, the Chairperson of the Board, the President & Chief Executive Officer and the members of the Management Committee, including the appropriateness of the use of corporate assets and any mandated disclosure of such expenses on the Corporation's website. the legal & regulatory compliance framework applicable to the Corporation including new or proposed accounting practices, principles and disclosure requirements; and;
- b) Reports from management regarding integrity such as breaches to the Code of Ethics and/or serious violations that contravenes the public interest under federal legislation, other than breaches or violations under the Canada Labour Code, and;

As provided for in section 11 (4) to (6) of the Corporation's By-Law No. 1, the Committee shall perform its oversight and monitoring responsibilities in accordance with the *Financial Administration Act* ("FAA") and the Guidelines for Audit Committees in Crown Corporations and Other Public Enterprises ("Guidelines") issued and updated from time to time by the Treasury Board of Canada Secretariat.

3. OPERATING PRINCIPLES AND PROCEDURES

3.1 Chairing meetings: The Chairperson of the Committee shall preside at all meetings of the Committee.

3.2 Absence of Chairperson of the Committee: Should the Chairperson of the Committee be absent or unable or refuse or fail to act, at a meeting of the Committee, the members present may choose a chairperson from among their number unless the Chairperson of the Committee has already appointed one of the directors to act as the chairperson for this specific meeting.

3.3 Quorum: A majority of members of the Committee shall constitute a quorum.

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In the event any Committee member declares a conflict of interest with regards to any one or more matters under consideration by the Committee, such Committee member will not attend that portion of the meeting dealing with such matter(s) and the foregoing quorum requirement will be reduced by one (1) or more if many members are in conflict with regards to any decision or recommendation made with respect to such matter(s).

- 3.4 Voting:** A matter to be recommended for approval at a meeting of the Committee shall be decided by consensus. If no consensus is reached in the opinion of the Chairperson of the Committee, the Chairperson of the Committee may call for a vote and such matter shall then be decided by a majority of the votes cast. In the event of an equality of votes, the members shall attempt to resolve the matter by further discussion in order to reach a consensus; however, in the absence of agreement, the Chairperson of the Committee shall then have a casting vote.
- 3.5 Frequency of Meetings:** The Committee shall meet at least four (4) times annually, or more as required.
- 3.6 Calling of meetings:** Committee meetings may be called by any Committee member or the Chair of the Board.
- 3.7 In camera session:** At each Committee meeting, the Chairperson of the Committee shall determine if an *in camera* session is necessary.
- 3.8 Supplemental Attendees:** Any person who may possess information that would be useful to the Committee in carrying out its duties may be invited by the Chairperson of the Committee to attend any meeting of the Committee.
- 3.9 Reporting:** The Chairperson of the Committee shall report on its activities to the Board after each Committee meeting.
- 3.10 Review of Mandate:** The Committee shall review and assess annually the adequacy of its mandate. In consultation with management, the Committee shall also develop and update an annual workplan responsive to the Committee's responsibilities and duties.
- 3.11 Outside Advisors:** Subject to approval of the Chair of the Board, the Committee has the authority to engage outside advisors including, but not limited to, legal counsel, consultants and other experts, as needed, to review any matter under its responsibility.

4.COMPOSITION

- 4.1** The Committee shall be appointed by the Board and shall consist of at least three (3) directors of the Corporation.

- 4.2** Each member of the Committee shall hold office on the Committee until such time as a successor is appointed, unless the member resigns, is removed or ceases to be a director of the Board.
- 4.3** The Chairperson of the Committee shall be appointed by the Chairperson of the Board.
- 4.4** The Chairperson of the Committee shall have knowledge and experience in corporate governance matters. In addition, each member of the Committee shall be literate in corporate governance matters or shall become so within a reasonable period of time after appointment to the Committee. “Literate in corporate governance matters” shall mean the ability to understand the impact and value of corporate governance matters such as governance practices, directors’ compensation, directors’ training, board effectiveness, and board and committee mandates that present a breadth and level of complexity relating to governance issues that are generally comparable to the breadth and level of complexity that can reasonably be expected to be raised by the Corporation’s operations, the whole in accordance with the Corporation’s status as a Federal Crown Corporation.
- 4.5** The Chair of the Board and the President and Chief Executive Officer are *ex officio* members of the Committee and shall endeavour to attend Committee meetings .
- 4.6** The membership of the Committee as well as the chairpersonship shall be reviewed from time to time at the discretion of the Chairperson of the Board.